

USAID/CROATIA

ANNUAL REPORT

2002

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Performance Narrative: USAID/Croatia's five-year Strategic Plan was approved in March 2001. Most of the program portfolio mobilized in mid- to late-FY 2001, when the Mission had not yet put in place a Performance Monitoring Plan (PMP) to measure progress toward results. The PMP will be completed in March 2002, and progress towards PMP targets will be reported in the next annual report. However, significant progress has been made in some sectors and is described in the following narrative.

Strategic Objective 1.3, *Growth of a Dynamic and Competitive Private Sector*

USAID's strategy adopts a three-pronged approach towards accelerating economic growth. First, assistance towards improving the overall investment climate is critical to attracting the foreign and domestic investment, which is necessary to help Croatia in its transition to modern market-driven economic systems and to make Croatian businesses competitive in the global economy. Further development of the legal system to ensure protection of property rights and timely and effective enforcement of contracts is of top priority in this area. Public-sector fiscal reform is also necessary for a stable macroeconomic environment. Second, USAID assistance is helping Croatian businesses, especially small and medium enterprises, to acquire the skills, tools and services needed for them to compete in local, regional and global markets. The third focus of USAID economic programs is acceleration of the privatization process to move most productive assets from state hands into the private sector, and to stop the wasteful flow of scarce public resources into unproductive enterprises. The strong emphasis in the privatization assistance program is on ensuring transparent and competitive processes.

Fiscal Reform: The Ministry of Finance (MOF) credits USAID-funded advisors with the key role in enabling the Ministry to make its new single treasury system operational on the scheduled date of January 1, 2001, saying it would not have been possible without USAID assistance. Implementation of this integrated financial management system had been stalled for five years before USAID-funded advisors began working on the project. With their help, the Ministry successfully met the January 1 deadline for compliance with pre-conditions of an IMF Stand-By Arrangement. The new system will improve transparency and introduce controls in the national budgetary and expenditure processes.

USAID assistance was also key to the preparations for the GOC's initial phase of fiscal decentralization. USAID advisors in the Ministry of Finance assisted in the drafting of the decentralization law that was passed by the Parliament, and also helped design the MOF's three-year decentralization strategy. Policy advice on the development of a balanced program of revenue sharing and grant formulas resulted in decentralization policies that better account for and ameliorate disparities in income levels in the different geographic areas of the country. This work has benefitted from a significant result achieved in the Local Government Reform Program (see SO 2.1, below), which has provided local budget planners with a key tool that will enhance MOF analysis of municipalities' financial needs and expenditures.

The USAID-funded resident economic policy advisor to the Deputy Prime Minister (DPM) has played a vital role in the difficult process of negotiating a new IMF Stand-By Arrangement and a related World Bank Structural Adjustment Loan (SAL). Representatives of both international financial institutions credit the USAID advisor's close relationship of trust with the DPM as key to his ability to keep the communications flowing between the parties, leading ultimately to a successful outcome of the negotiations. Now that both the Stand-By and the SAL are in place, the USAID advisor is also proving critical to keeping the Government on track in meeting its reform benchmarks.

Bank Supervision: In a major step forward, the Croatian National Bank (CNB) has adopted a comprehensive Uniform Bank Performance Report (UBPR) developed with USAID assistance. The UBPR provides a uniform basis for performing detailed financial analysis of individual commercial banks, and, building upon training in bank analysis conducted by USAID, has enabled the CNB to begin performing detailed financial analysis of each bank on a quarterly basis. These analyses feed into management information systems used to plan onsite examinations and are the initial stage in the development of an early warning system for problem banks, to be used by the onsite and offsite supervision departments and CNB management.

Competitiveness: In the short time period since its inception in mid-2001, the Croatian Competitiveness Initiative has made great strides in improving the dialogue between the public and private sectors on measures to ensure the long-term competitiveness of Croatian businesses and the country as a whole. With the support of the USAID-funded Initiative, the CEOs of 14 of the largest businesses in the country have formed a business roundtable that meets regularly and is advocating policy changes to increase Croatian competitiveness. At the invitation of the private sector group, larger workshops were held with key GOC officials (including two Deputy Prime Ministers), national labor leaders, and the rectors of the country's most important universities to develop a common action agenda focused on competitiveness.

Beyond the national-level dialogue, the Competitiveness Initiative has worked with industry clusters from several of the most promising Croatian sectors including tourism, information technology, and wood products. The Initiative has also assisted with formation of local public/private sector economic development councils in several municipalities around the country.

Privatization Support: USAID advisors have assisted the Croatian Privatization Fund (CPF) with analyzing the CPF's portfolio of assets; developing company profiles and divestiture strategies for the sale of enterprises; training Croatian Privatization Fund employees in valuation methodologies; improving tendering procedures for the sale of enterprises, including the introduction of bid evaluation criteria emphasizing investment and enhanced transparency; and developing pre-privatization strategies for enterprises.

USAID assistance in privatization has resulted in the sale of 26 enterprises in which the Croatian government was a majority shareholder, generating approximately USD 60 million in revenue, USD 21 million through the assumption of liabilities and USD 65 million in investment commitments. Since January of 2001 the CPF has divested minority shares in approximately 370 companies on the Zagreb and Varazdin Stock Exchanges, generating over USD 27 million in badly needed revenue for the GOC. The CPF has also initiated bankruptcy proceedings for approximately 300 non-viable companies. Through these various divestiture activities, the CPF's portfolio has been reduced from approximately 1,900 enterprises at the outset of USAID assistance to approximately 1,200 enterprises today. This divestiture has not only generated revenue for the GOC and investment commitments for the newly privatized enterprises, but has also reduced cash subsidies from the Croatian treasury.

Commercial Law: USAID's Commercial Law Reform program recently began providing assistance to the Commercial Courts. Long recognized as a major impediment to investment, the Croatian courts are under increased pressure to reform and to improve their efficiency. In coordination with a new World Bank program, USAID recently began analyzing the causes of case backlogs in the commercial courts and assisting the Ministry of Justice and the World Bank in preparing an automated case management system for implementation in the Commercial Courts. The new system is expected to reduce case backlogs and speed litigation.

USAID assistance to the Zagreb Land Registry has resulted in the implementation of process improvements that speed up the processing of filings and reduce registration backlogs. Included in USAID-sponsored efforts is a new self-service area that will allow lawyers and other real estate professionals to obtain directly much of the information now provided by clerks in the Registry Office, speeding up information flow and freeing clerks to focus on other tasks. These innovations, along with the use of temporary staff to input information from backlogged registry requests, should result in further reductions in the backlog. Computerization of Land Books and reorganization of Land Registry operations are continuing.

A further goal of commercial law reform efforts is the establishment of a collateral registry in Croatia, and the first step toward achievement of that goal is preparing the legal framework for the registry. A draft of a new secured property law has been prepared with the assistance of USAID advisors, and a Ministry of Justice working group will soon review and finalize the draft law. Programs to promote the efficient operations of these registries will enable users to perform registration actions transparently, with known costs and within a predictable time frame.

Croatian Enterprise Promotion Activity (CEP): Launched in September 2001, CEP is designed to stimulate private enterprise productivity and profitability. The activity is concentrated on developing the market for business development services (BDS) for firms, emphasizing small and medium size enterprises (SMEs). It also addresses inefficiencies in SME finance markets and other constraints to enterprise growth. Activities include the establishment of a self-regulating organization to promote professionalism in the Croatian business consulting industry; the development and delivery of BDS products to Croatian enterprises, tailored to specific demands (including requirements for meeting international and other standards); the strengthening of industry associations, and initiatives aimed at increasing the flow of bank credit and other finance to SMEs.

Beneficiaries: Most of the programs currently in place towards achieving this SO work with institutions of the Government of Croatia. Through direct support to improving fiscal responsibility within the Ministry of Finance, the GOC will be better able to control government spending and direct resources more appropriately to meet the needs of the public. Programs underway within the courts to improve efficiency of the operations of the Commercial Courts will result in cases reaching resolution within an expeditious time frame that is consistent with western legal standards. Additional beneficiaries include the users of the land and company registries and (soon) the new collateral registry.

The other beneficiaries are the Croatian small and medium enterprises (SMEs). The availability of premium consulting services will increase along with a drop in the cost to SMEs. SMEs will have services available locally, replacing those that have heretofore been purchased at high cost from sources in advanced market economies. Access to European and other markets is expected to increase and therefore, exports and GDP should rise.

Strategic Objective 2.1, *More Effective Citizen Participation and Improved Governance*

USAID democracy assistance promoted effective citizen involvement in decision-making, strengthened independent media, and increased the efficiency and responsiveness of governance, including the judiciary. Special emphasis was placed on citizen participation at the local level, in order to begin the process of building strong and vital communities across Croatia. This emphasis included assistance to NGOs and democratically-oriented political parties in preparation for the nationwide local government elections held in May 2001.

Significant Results: The USAID/Croatia democracy program shaped the legislative and policy frameworks for local governance and civil society. These laws represent a significant qualitative improvement in the enabling environment in each sector. *

* **Local Governance:** Four major laws to reform Croatian local governance and implement decentralization were drafted and adopted. With expert comparative analysis provided by USAID's Local Government Reform Program (LGRP), draft versions of these laws were revised to bring them closer to international standards and compliance with EU norms. These laws included the framework Law on Local and Regional Self-Government and the Law on Financing Local Self-Government. One of the most important changes adopted was a "reserve clause" that enables local governments to assume powers not constitutionally reserved for the national government.

* **Civil Society:** The USAID-funded International Center for Non-For-Profit Law (ICNL) provided comparative analysis and drafting assistance to the Government Office for NGOs, the Ministry of Justice, and the Ministry of Finance on laws affecting NGOs. These included the new Law on Associations and a package of tax reforms that increase tax deductions for contributions to nonprofits. ICNL's expert analysis helped ensure that this legislation conforms to international best practices.

NGO Sector Development: USAID is the major source of support to non-governmental organizations (NGOs) in Croatia. In 2001, USAID-funded NGO development programs administered by the Academy for Educational Development (AED), ICNL, and the STAR Project of World Learning aimed to boost the effectiveness of citizen participation in civil society at the national and local levels. Program activities included sub-grants to 12 leading NGOs; an extensive training of trainers (ToT)

program; and a program that delivered technical assistance and training to grassroots NGOs.

One important outcome of this work was the establishment of the first shelter for women and children victims of domestic violence in the Dalmatia region. This organization, Mirta, provided assistance to over 700 beneficiaries during 2001. Another leading NGO, "Inkluzija," promoted the adoption of a community-based model for services to mentally disabled persons that has resulted in the de-institutionalization of 20 persons and the GOC's commitment to de-institutionalize an additional 40 persons. Inkluzija successfully lobbied for changes to the new Law on Social Welfare regarding welfare benefits and work opportunities for persons with disabilities.

During FY 2001, USAID designed a follow-on NGO sector program, called Cro-NGO. This new three-year activity will give leading NGOs the skills they need to become sustainable over the longer term and to provide services to other NGOs, while stimulating the growth of grass-roots civic organizations to strengthen communities and broaden civil society.

Political Processes: To promote more effective citizen involvement in the political process, especially at the local level, the National Democratic Institute for International Affairs (NDI) helped improve the organizational and outreach skills of political parties in preparation for the May 2001 local elections. As a result, democratic parties took control of the councils in several key municipalities where the USG and other donors currently support refugee return and reintegration efforts, and gained seats on local councils that were previously the exclusive domain of the hard-line nationalist political party, HDZ, and other right-wing parties. At the national level, NDI continued its parliamentary program to assist Members of Parliament to reach out to their constituents and work more effectively in Parliamentary committees and caucuses. The International Republican Institute (IRI) assisted the GOC to develop and refine its communications strategy by working with ministries' spokespersons, and strengthened the communications skills of newly-elected county officials. IRI also introduced a press club for young journalists aimed at improving their political reporting skills.

Local Government Reform Program (LGRP): In addition to the policy advice described above, the LGRP prepared local governments for the comprehensive reforms that are now occurring, including the overhaul of the legislative framework for fiscal decentralization. The LGRP developed and disseminated a Financial and Asset Management (FAM) model designed to increase citizen participation at the local government level. The LGRP works in five demonstration cities (Bjelovar, Crikvenica, Osijek, Rijeka, and Varazdin) to develop these models. During 2001, local governments took a major step toward transparent budget preparation that provided citizens, for the first time, access to how budget decisions were made with the help of software and technical assistance provided by USAID through the LGRP. Two cities published their budgets in a comprehensive yet clear format, and held the first public discussions of the budget in the country's recent history. The Croatian Ministry of Finance has adopted the USAID-financed budget software as the standard system for local government budget preparation throughout the country. (See SO 1.3, above.)

Judicial Sector Reform: Enormous case backlogs and lengthy delays in case processing are now recognized as a significant constraint on citizens' access to justice in Croatia. USAID's activity in the Zagreb Municipal Court (ZMC), implemented by the National Center for State Courts (NCSC) provided technical assistance to introduce process improvements as well as computer hardware and software that will make case and court management more efficient and transparent. The ZMC, Croatia's largest court, handles 30 percent of all cases filed in Croatia annually. Computers provided to the ZMC this year have already significantly reduced verdict preparation time and increased the civil disposition rate by 4400 cases (17 percent), without increasing the number of judges.

The American Bar Association's Central and Eastern European Legal Initiative (ABA/CEELI) supplemented these efforts through its work with the Association of Croatian Judges to increase the courtroom skills of new judges and promote the recently adopted Code of Judicial Ethics and with law schools in Osijek and Split on clinical legal education.

Independent Media: Assistance to independent media helps maintain open information flows between

citizens and government and ensures that citizens have access to balanced and objective news alternatives to state-run Croatian Radio and Television (HRT). USAID provides this assistance through the ProMedia II Program implemented by the International Research and Exchanges Board (IREX). ProMedia II provided technical assistance, training and financial support to independent print and broadcast media and to journalists' professional associations. As a result, the twenty-four media outlets recipients are now generating revenue and are self-sustaining. They include a network of 13 radio stations (the Association of Independent Radio, AIR); four newspapers; and the Croatian Cable Network (CCN), an independent television network with seven member stations. ProMedia II provided financial and technical assistance to CCN from 1999 through calendar year 2001; CCN is now financially independent, although some technical assistance continues, primarily in marketing techniques. ProMedia II also continued to introduce improved journalistic practices. "Vijesti dana" ["Today's News"], CCN's daily news program, was awarded the "Best Program of the Year for 2001" by the Croatian Journalist Association (CJA), and a CCN reporter won CJA's award for the best broadcast news series of the year for her coverage of groundbreaking organized crime trials in Croatia. This is the first time a single newsroom has won both of Croatia's most prestigious media awards in one year.

Beneficiaries: Direct beneficiaries of NGO activities include over 1,000 organizations that advocate on behalf of women's, environmental and social issues, and the human rights of minority populations and the disabled. Direct beneficiaries of media activities include over twenty-four media outlets that have received business consulting services and approximately 500 members of the Croatian Journalists' Association, who have received advanced training and professional development opportunities. Seven television stations provide approximately 3.6 million viewers with daily access to fair and unbiased news coverage. Beneficiaries of local government reform include local officials and 800,000 citizens. In the area of political processes, direct beneficiaries include the parliamentarians, party leaders, and candidates who have received professional training, as well as Croatian voters, who enjoyed free and fair local elections thanks to election monitoring efforts. Judicial sector beneficiaries include 1,000 Croatian judges who received professional training, and over one million Croatian citizens served by the Zagreb Municipal Court, who will receive more efficient service as reforms and automation proceed.

Strategic Objective 3.1, Accelerated Return and Sustainable Reintegration of War-Affected Populations

As of December 31, 2001, UNHCR and the Government of Croatia estimate that 327,360 refugees and internally displaced persons (IDPs) from the 1991-95 war (103,891 refugees and 223,469 IDPs) have returned to their places of domicile in Croatia. In 2001, 23,063 returned (11,867 refugees and 11,196 IDPs), compared with 32,791 (17,483 refugees and 15,308 IDPs) in 2000. The upsurge in returns, following the elections in January 2000, decreased in 2001 when it became clear that despite the positive change in attitude of the new government, a variety of legal, bureaucratic, security and economic obstacles to return still remained.

From the outset, the new Government committed itself to eliminating the legal and administrative barriers to the return of minority citizens. Implementation of this commitment is a fundamental assumption on which this Strategic Objective rests. While the Government continued to voice this commitment, significant legislative and policy reforms were only partially addressed in 2001 when the Government took such actions as:

- holding a special cabinet session in Knin where a variety of decisions were made to speed the process of return and economic revitalization;
- establishing firm deadlines for reconstruction of war-damaged housing and for restitution of property
- obtaining loan funds for reconstruction of housing and the provision of alternative accommodations for temporary occupants of refugees' homes; and
- forming two working groups, in collaboration with the international community, for legal and economic revitalization issues.

Late in the year, the Government set a deadline of December 31, 2003 for completing the task of meeting the housing needs of all returnees and settlers through the restitution of property, repair and

reconstruction of damaged houses and the provision of alternative accommodations for temporary occupants. The target appears optimistic in light of the sheer magnitude of the task, and severe budgetary constraints. Additionally, new that will create a better framework for facilitating repossession of property, legislation, drafted with the active participation of the international community, has not yet passed the Parliament. Also, the Government has not yet addressed the thorny issue of lost tenancy rights of socially-owned apartments occupied by ethnic minorities prior to the war.

This strategic objective aims to achieve increased, sustainable return and reintegration in selected municipalities and towns that have demonstrated commitment to the process of minority refugee return. USAID's assistance will help those who have returned to remain and prosper, and will draw other returnees. The program emphasizes a comprehensive community-based approach that delivers a critical mass of assistance with infrastructure reconstruction, economic revitalization, community building, legal aid and housing solutions to communities that welcome and contribute toward the return of minority citizens.

Community Infrastructure Rehabilitation Program (CIRP): A redesigned and expanded infrastructure repair program focuses on the reconstruction of municipal infrastructure (electricity, water and wastewater facilities, markets and public buildings such as schools, community centers and clinics) to support the return and reintegration of displaced persons and refugees in Croatia's war-affected areas. CIRP concentrates on projects in USAID's 11 partnership municipalities. A major part of this activity is implemented in close coordination with the Croatian Electricity Company (HEP) and focuses on the restoration of electricity to war-affected towns and villages. In FY 2001, USAID selected the Louis Berger Group Inc. (LBGI) as its new implementing partner for this activity. To date, 52 infrastructure rehabilitation projects have been identified, appraised and found to be suitable for funding under the Community Infrastructure Rehabilitation Program (CIRP). Fifteen were completed during the reporting period and the rest are in implementation. Additional projects are being identified with the assistance of local community committees.

Economic and Community Revitalization Activity (ECRA): USAID's new program of economic revitalization in the war-affected areas focuses on: (1) community-based economic programs that create jobs and economic activity; (2) community reintegration in return areas; (3) increasing the rate of cross-border returns; and (4) improving access to housing for returnees, displaced persons and "settlers" using market-based approaches. Assistance under ECRA is closely coordinated with CIRP; both activities concentrate on the same group of municipalities.

Since 2001 was a start-up year for USAID's newly revised return-related activities, significant impact of these activities on returns will not become visible until late in 2002. By then, the impact of USAID's SEED-funded assistance programs in conjunction with the concrete steps just recently taken by the Government of Croatia will become apparent through accelerated return of refugees to USAID partnership municipalities.

USAID's implementing partner for ECRA, Marcy Corps International, began work in June 2001 and has since awarded sub-grants to four U.S. and nine Croatian organizations. The first six grants awarded moved into program implementation in October 2001. Three more are in the final stages of negotiation, with implementation of these programs scheduled to begin in early February 2002. ECRA activities are now underway in all 11 USAID partnership municipalities, and include provision of micro-credit, technical assistance for agricultural cooperatives, facilitation of market-based business loans, capacity-building of local civic/government institutions and initiatives, legal assistance, targeted social services and public education activities. Formation and facilitation of local community committees, comprised of representatives of key local interests and all ethnic groups, are a key element of the program.

Innovative Housing Solutions - A housing needs assessment and a concept paper for facilitating market solutions were prepared by the Urban Institute, a sub-contractor to Mercy Corps. As a result, USAID's approach to finding and testing innovative, market-oriented solutions to the various housing problems in the war-affected areas are resulting in a demonstration housing voucher program in association with a guarantee programs for commercial housing loans under USAID's Development Credit Authority.

Beneficiaries

Primary beneficiaries are the approximately 53,000 residents of USAID's 11 partner municipalities –firstly returnees, and secondarily others. We expect to measure impact at the SO level by measuring the change in the overall rate of return and the change in the number of returnees who are economically active in the partnership municipalities. Although the primary beneficiaries will be the current residents, an estimated 75,000 will benefit if population levels return to 75 percent of the pre-war level will benefit from the activities under SO 3.1. Additional multiplier effects will accrue as people who have jobs and businesses increase spending on goods and services provided by others in their communities. Repaired infrastructure alone will provide economic opportunities for some people not otherwise directly benefiting from ECRA.

Strategic Objective 3.4, Mitigation of Adverse Social Conditions and Trends

All activities under this Strategic Objective, with the exception of support to the labor unions, began in 2001 and all are working on various aspects of social transition. USAID expects results in three key areas. The first is improving the public knowledge and government oversight of the new pension program. The second is an improved social dialogue leading to agreements among labor, business and government through improved strategic planning, collective bargaining and legislation assistance. The third area focuses on the special needs and problems of selected vulnerable and at-risk groups.

Pension Reform: In 2000, the Government of Croatia passed pension reform legislation designed to bring Croatia's pension system in line with European countries by establishing individual accounts and offering private investment options for a portion of the funds. This major undertaking necessitated that the GOC create financial tracking systems, a regulatory framework for private pension funds, and an extensive public education campaign pertaining to the pension reform program. In conjunction with Croatian pension reform institutions, USAID advisors played a key role during 2001 in developing the public education campaign designed to inform the general public about all aspects of the new pension system that will so directly and significantly affect them.

The pension reform public education campaign has proven that public education can have dramatic effects. Public acceptance of pension reform was at a low 30% in February 2001, prior to USAID's interventions. Following the public education campaign, the public acceptance level for Croatia's new pension system rose to an impressive 81%. USAID's assistance on the pension reform public education campaign is a model of cooperation between the international donors and the Croatian Government, as well as synergy among different USAID programs. Union workers trained with USAID funding are presenting the details of the new system to their fellow-workers at seminars in the workplace, following training held under the Solidarity Center program. The World Bank provided funding for media advertisements and the GOC's postal system is providing free mailing of pension education materials (developed through USAID funding) to every household in Croatia.

USAID Croatia, through technical assistance and training, has not only improved public acceptance but also improved the capacity of the GOC to administer the pension reform program. USAID's assistance to the regulatory agencies and Ministry of Labor and Social Welfare has served as the foundation for greater communication and trust between GOC agencies. This public collaborative communication has also served to build public support for the new pension system.

Labor: USAID support for strengthening labor unions is provided in cooperation with the American Center for International Labor Solidarity (ACILS, also known as the Solidarity Center). In 2001 labor unions, whose membership remained at almost two-thirds of the formal work force, loomed as a potential force either for change or resistance. Notwithstanding this, the Government largely excluded the labor unions from the decision-making process when implementing reforms that directly affected workers, including the decision to reduce public wages to meet IMF conditionality. Consequently, there is an undercurrent of dissatisfaction that could lead to labor unrest.

Solidarity Center activities focused largely on creating a dialogue between the unions and government as well as working on economic and social issues such as privatization and pension reform. In April 2001, the Solidarity Center organized a study tour to Ireland for seven members of the Economic and Social Council -- a forum set up by the Government for dialogue with labor and business, but not yet successful in promoting real cooperation -- to learn about the Ireland experience in creating an effective social dialogue.

In the Solidarity Center's pension reform education program, 100 Croatian union trainers were given a training-of-trainers course in pension reform policy, rules, regulations and requirements. These trainers have since held 1,824 presentations on pension reform that included approximately 50,000 union members and contributed considerably to the increase in acceptance of pension reform. In addition, the Solidarity Center is working to provide unions with the necessary tools to establish transparent procedures to be used in discussions and decision-making, as well as in mediation of labor conflicts and alternative dispute resolution.

In 2001, the Solidarity Center continued to develop a coordination group of women union leaders that has become active in promoting women's interests in the workplace. The Solidarity Center co-sponsored, with the International Confederation of Free Trade Unions, the third regional conference on women, labor, and economic transition. The participants to the conference included trade union women activists from 15 countries throughout the region. They adopted an action plan regarding health care, calling among other things for joint and simultaneous activities throughout the region to promote the health insurance coverage of regular mammograms and obstetric-gynecological care.

Tripartite Social Dialogue: USAID, following up on the recommendations of its social transition assessment, developed an activity in social dialogue among government, employers and labor unions. The activity, which started in September 2001, provides a long-term advisor to the Economic and Social Council (ESC), a high-level council made up of representatives from these three groups and currently chaired by a Deputy Prime Minister. (The chair rotates among the three parties.) Tripartite Social Dialogue focuses on creating a positive and interactive social dialogue aimed at achieving consensus on social issues within the larger economic reform context. To this end, USAID is assisting in setting up an ESC Secretariat and an expert research unit. Training and facilitation/mediation activities are also being provided.

In the **"Healthy Communities" Partnership** that started in October 2001, the city of Split is working in partnership with a consortium of New Jersey public health organizations. These two groups are working on community-chosen activities that emphasize preventative rather than curative care.

Beneficiaries: Direct beneficiaries in pension reform and labor union activities include all employed workers in Croatia including the union members who comprise a large majority of the workforce. These beneficiaries must select a new pension program based on information received through the various education channels including USAID's pension reform outreach activity. In the health sector, direct beneficiaries are residents of Split, but secondary benefits are expected to accrue to other communities through Croatia's existing Health Cities Network program. Beneficiaries of the Tripartite Dialogue activity will include not only the members of the Economic and Social Council, but also their constituencies. For example, all employed workers will benefit as the country moves through economic restructuring and privatization via active communication and problem solving among the three key societal parties—government, employers and labor unions.

Cross-cutting Initiatives

Four cross-cutting initiatives support USAID's overall assistance goal and influence the results under all strategic objectives (SO): anti-corruption, information technology and telecommunications, training, and environmental activities.

Environment: In a multi-purpose initiative, USAID funded the U.S. National Park Service to train 20 young adults living near national parks in Croatia's former conflict areas who seek careers in nature

conservation and parks management. The program is part of USAID's program to revitalize the economy of the country's war-affected regions and to promote new employment for youth who are resident in those areas, including refugees. Further development of the national parks within the war-affected is seen as a primary engine of tourism, economic growth and job creation in these regions. The highly successful program improved the parks' interpretive programs, resulted in immediate employment for several participants and prospective jobs for the others. It also received extensive positive print and television media coverage and will be replicated in three more parks in 2002..

USAID uses regional funds through the EcoLinks Challenge Grant mechanism to support market solutions to environmental problems faced by businesses and local governments. Specific grant-financed activities in 2001 included a partnership between the town of Daruvar and a U.S. company that provided new technology to locate and repair leaks in the town's water system. As a result, the town will save approximately \$65,000 per year in water expenses. Another EcoLinks grant assisted the largest private meat processing company in Croatia to reduce water consumption by 30% with new American technology provided that is resulting in a reduction of the plant's operating costs by 20% or \$130,000 per year. The company is planning to purchase an American reverse-osmosis water treatment system that is expected to further increase monetary savings as well as lessening the impact wastewater discharges on the environment.

Information Technology: USAID's information technology assistance to pension reform through the development of pension specific software has increased the ability of the Government of Croatia to monitor and report on the transfer of funds from employers to pension accounts. The result is an increase of trust by the employee in the pension system.

Beneficiaries: Direct beneficiaries in the joint program with the U.S. National Park Service are residents in the immediate area of the parks who benefit from a more environmentally educated tourist. In addition tourists are beneficiaries as they leave the parks with a better understanding of how important and how fragile the environment is in the parks and use what they learned in their everyday life. EcoLinks beneficiaries include residents of the communities, as well as private firms. The development of pension specific software allows all participants to be beneficiaries, as they will have more trust in the pension system.

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Environmental Compliance

USAID/Croatia will be designing a new agribusiness activity in FY 2002. This will require assistance from E&E's Bureau Environmental Officer in performing and Initial Environmental Examination for this new activity.

USAID/Croatia is currently working with the E&E Bureau Environmental Officer to update and put in place new IEEs and Categorical Exclusions to ensure that the Mission is in compliance with 22 CFR 216.

Table 1: Annual Report Selected Performance Measures

December 3, 2001

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America and non-governmental organizations in support of shared objectives						
1	Did your operating unit achieve a significant result working in alliance with the public sector or NGOs?	Yes	No	N/A X		
2	a. How many alliances did you implement in 2001? (list partners) b. How many alliances do you plan to implement in FY 2002?					
3	What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?					
Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.						
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met	Not Met		PMP and targets under development.
USAID Objective 1: Critical, private markets expanded and strengthened						
5	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged						
6	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable						
7	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		ECRA activities under USAID/Croatia SO 3.1 are at an early stage, but are expected to begin achieving significant results in 2002. Targets under development.

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded					
8 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
9 a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual) b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total		
USAID Objective 5: World's environment protected					
10 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
11 a. Hectares under Approved Management Plans (2001 actual) b. Hectares under Approved Management Plans (2002 target)					
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.					
12 If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met	Not Met		
USAID Objective 1: Reducing the number of unintended pregnancies					
13 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
USAID Objective 2: Reducing infant and child mortality					
14 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		

Indicator (all data should pertain to FY or CY 01)	OU Response			Fund Account	Data Quality Factors
USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
15 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries					
16 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance					
17 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
Pillar IV: Democracy, Conflict and Humanitarian Assistance					
18 If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets?	Exceed	Met	Not Met	AEEB	PMP and targets under development.
USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened					
19 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
USAID Objective 2: Credible and competitive political processes encouraged					
20 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A		
USAID Objective 3: The development of politically active civil society promoted					
21 Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A		USAID assistance in drafting and advocating for the adoption of a new law on associations has been publicly acknowledged by the Ministry of Justice.
USAID Objective 4: More transparent and accountable government institutions encouraged					

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
22	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes X	No	N/A		Pension reform public education reform program's public survey demonstrated increase in public understanding and acceptance. Major laws on decenralization drafted and adopted due to USAID assistance.
USAID Objective 5: Conflict						
23	Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A		
24	Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		ECRA activities under USAID/Croatia SO 3.1 are at an early stage, but are expected to begin achieving results in 2002. Targets under development.
25	Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total		
USAID Objective 6: Humanitarian assistance following natural or other disasters						
26	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A X		
27	Number of beneficiaries					

Table 2: Selected Performance Measures for Other Reporting Purposes

The information in this table will be used to provide data for standard USAID reporting requirements

Indicator (all data should pertain to FY or CY 01)		OU Response		Fund Account	Data Quality Factors
Child Survival Report					
Global Health Objective 1: Reducing the number of unintended pregnancies					
1	Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS)				
Global Health Objective 2: Reducing infant and child mortality					
2	Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
3	Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	
4	Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
5	Were there any confirmed cases of wild-strain polio transmission in your country?				
Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth					
6	Percentage of births attended by medically-trained personnel (DHS/RHS)				
Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance					
7	a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual) b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)				
8	Proportion of districts implementing the DOTS Tuberculosis strategy				
HIV/AIDS Report					

Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries

<p>a. Total condom sales (2001 actual)</p> <p>9</p> <p>b. Total condom sales (2002 target)</p>					
<p>a. Number of individuals treated in STI programs (2001 actual)</p> <p>10</p> <p>b. Number of individuals treated in STI programs (2002 target)</p>	Male	Female	Total		
<p>11 Is your operating unit supporting an MTCT program?</p>					
<p>a. Number of individuals reached by community and home based care programs (2001 actual)</p> <p>12</p> <p>b. Number of individuals reached by community and home based care programs (2002 target)</p>	Male	Female	Total		
<p>a. Number of orphans and vulnerable children reached (2001 actual)</p> <p>13</p> <p>b. Number of orphans and vulnerable children reached (2002 target)</p>	Male	Female	Total		
<p>a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual)</p> <p>14</p> <p>b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)</p>	Male	Female	Total		

Victims of Torture Report						
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture						
15	Did you provide support to torture survivors this year, even as part of a larger effort?					
16	Number of beneficiaries (adults age 15 and over)	Male	Female	Total		
17	Number of beneficiaries (children under age 15)	Male	Female	Total		

Global Climate Change			
USAID Objective 5: World's environment protected			
18	Global Climate Change: See GCC Appendix		